

10/02

**NOLA 180 D/B/A**  
**LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2010 AND 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/11/11

**ERICKSEN KRENTEL & LAPORTE L.L.P.**

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# ERICKSEN KRENTEL & LA PORTE L.L.P.

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\*LIMITED LIABILITY COMPANY  
BENJAMIN J. ERICKSEN - RETIRED  
J.V. LECLERE KRENTEL - RETIRED

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
NOLA 180 d/b/a Langston Hughes Academy  
Charter School  
New Orleans, Louisiana

We have audited the accompanying statement of financial position of NOLA 180 d/b/a Langston Hughes Academy Charter School (a nonprofit organization) as of June 30, 2010, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of NOLA 180 d/b/a Langston Hughes Academy Charter School as of June 30, 2009, were audited by other auditors whose report dated December 31, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of NOLA 180 d/b/a Langston Hughes Academy Charter School as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated March 25, 2011, on our consideration of NOLA 180 d/b/a Langston Hughes Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**ERICKSEN KRENTEL & LA PORTE L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

To the Board of Directors of  
NOLA 180 d/b/a Langston Hughes Academy  
Charter School  
March 21, 2011

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 25, 2011

A handwritten signature in black ink, appearing to read "Ericksen Krentel & LaPorte", written in a cursive style.

Certified Public Accountants

NOLA 180  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash and cash equivalents	\$ 248,309	\$ 466,464
Contributions receivable	-	20,600
Grants receivable	317,712	143,098
Deposits	15,139	19,570
Other receivables	<u>1,560</u>	<u>-</u>
 Total current assets	 582,720	 649,732
 <b><u>EQUIPMENT, NET</u></b>	 <u>97,267</u>	 <u>15,317</u>
 Total assets	 <u>\$ 679,987</u>	 <u>\$ 665,049</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES:</u></b>		
Accounts payable and accrued expenses	\$ 235,152	\$ 126,094
Note payable	-	150,000
Capital lease payable - current	<u>1,221</u>	<u>7,202</u>
 Total current liabilities	 <u>236,373</u>	 <u>283,296</u>
 <b><u>LONG-TERM LIABILITIES:</u></b>		
Capital lease payable - non-current	<u>-</u>	<u>1,228</u>
 Total liabilities	 <u>236,373</u>	 <u>284,524</u>
 <b><u>NET ASSETS:</u></b>		
Unrestricted	373,127	115,327
Temporarily restricted	<u>70,487</u>	<u>265,198</u>
 Total net assets	 <u>443,614</u>	 <u>380,525</u>
 Total liabilities and net assets	 <u>\$ 679,987</u>	 <u>\$ 665,049</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>REVENUE AND SUPPORT:</u></b>			
Grants:			
Federal and state	\$ 924,399	\$ 88,928	\$ 1,013,327
Minimum foundation program	3,637,305	-	3,637,305
Other revenue	521,306	192,750	714,056
Net assets released from restrictions	209,831	(209,831)	-
	<u>5,292,841</u>	<u>71,847</u>	<u>5,364,688</u>
<b>Total revenue and support</b>			
<b><u>EXPENSES:</u></b>			
Personnel:			
Instructional salaries	1,865,259	-	1,865,259
Non-instructional salaries	743,560	175,543	919,103
	<u>2,608,819</u>	<u>175,543</u>	<u>2,784,362</u>
<b>Total program expenses</b>			
Other expenses:			
Administrative	429,723	17,322	447,045
Benefits	457,175	9,499	466,674
Facility, equipment, and maintenance	208,658	5,200	213,858
Textbooks and supplies	189,069	58,994	248,063
Student transportation	542,628	-	542,628
Child nutrition	31,038	-	31,038
Travel	10,099	-	10,099
Depreciation	53,050	-	53,050
Interest	1,010	-	1,010
Insurance	52,121	-	52,121
Utilities	165,228	-	165,228
Miscellaneous	34,609	-	34,609
Loss from misappropriation	251,814	-	251,814
	<u>2,426,222</u>	<u>91,015</u>	<u>2,517,237</u>
<b>Total supporting services</b>			
<b>Total expenses</b>	<u>5,035,041</u>	<u>266,558</u>	<u>5,301,599</u>
Change in net assets	257,800	(194,711)	63,089
Net assets at beginning of year	115,327	265,198	380,525
Net assets at end of year	<u>\$ 373,127</u>	<u>\$ 70,487</u>	<u>\$ 443,614</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

NOLA 180  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>REVENUE AND SUPPORT:</u></b>			
Grants:			
Federal and state	\$ 898,654	\$ -	\$ 898,654
Minimum foundation program	3,571,311	-	3,571,311
Other revenue	109,711	474,164	583,875
Net assets released from restrictions	465,809	(465,809)	-
	<u>5,045,485</u>	<u>8,355</u>	<u>5,053,840</u>
<b><u>EXPENSES:</u></b>			
Personnel:			
Instructional salaries	1,775,963	-	1,775,963
Non-instructional salaries	920,927	-	920,927
	<u>2,696,890</u>	<u>-</u>	<u>2,696,890</u>
Other expenses:			
Administrative	333,095	-	333,095
Benefits	182,260	-	182,260
Facility, equipment, and maintenance	103,390	-	103,390
Textbooks and supplies	283,984	-	283,984
Student transportation	567,410	-	567,410
Child nutrition	274,720	-	274,720
Travel	30,018	-	30,018
Depreciation	7,929	-	7,929
Interest	481	-	481
Insurance	57,143	-	57,143
Utilities	58,006	-	58,006
Miscellaneous	99,207	-	99,207
Loss from misappropriation	421,858	-	421,858
	<u>2,419,501</u>	<u>-</u>	<u>2,419,501</u>
Total supporting services	<u>2,419,501</u>	<u>-</u>	<u>2,419,501</u>
Total expenses	<u>5,116,391</u>	<u>-</u>	<u>5,116,391</u>
Change in net assets	(70,906)	8,355	(62,551)
Net assets at beginning of year	186,233	256,843	443,076
Net assets at end of year	<u>\$ 115,327</u>	<u>\$ 265,198</u>	<u>\$ 380,525</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

NOLA 180  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b><u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u></b>		
Increase (decrease) in net assets	\$ 63,089	\$ (62,551)
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation	53,050	7,929
(Increase) decrease in:		
Contributions receivables	20,600	59,400
Grants receivable	(174,614)	231,095
Deposits	4,431	(18,550)
Other receivables	(1,560)	-
Prepaid expenses	-	4,539
Increase (decrease) in:		
Accounts payable and accrued expenses	109,058	6,199
Net cash from operating activities	<u>74,054</u>	<u>228,061</u>
<b><u>CASH FLOWS (USED FOR) INVESTING ACTIVITIES:</u></b>		
Capital expenditures	<u>(135,000)</u>	<u>(7,338)</u>
Net cash (used for) investing activities	<u>(135,000)</u>	<u>(7,338)</u>
<b><u>CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:</u></b>		
Proceeds from note payable	300,000	150,000
Principal payments on note payable	(450,000)	-
Principal payments on capital lease	<u>(7,209)</u>	<u>(6,924)</u>
Net cash from (used for) financing activities	<u>(157,209)</u>	<u>143,076</u>
Net (decrease) increase in cash and cash equivalents	(218,155)	363,799
Cash and cash equivalents, beginning of year	<u>466,464</u>	<u>102,665</u>
Cash and cash equivalents, end of year	<u>\$ 248,309</u>	<u>\$ 466,464</u>
<b><u>SUPPLEMENTAL CASH FLOW DISCLOSURES:</u></b>		
Cash paid for interest	<u>\$ 1,010</u>	<u>\$ 481</u>

See accompanying NOTES TO FINANCIAL STATEMENTS



**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

NOLA 180 d/b/a Langston Hughes Academy Charter School (the School), incorporated on November 6, 2006, is an educational institution organized to turn around a failing school by providing improved educational opportunities to prepare students for the New Orleans' selective admission public and private high schools.

The Recovery School District (RSD) and the Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the School effective June 1, 2007 for a period ending on June 1, 2012, to operate a Type 5 Charter School, as defined in LA R.S. 17:3996. The School commenced operations with the 2007-2008 school year.

**Basis of Accounting**

The School prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**Cash and Cash equivalents**

For the purposes of the statements of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210-45 *Not-for-Profit Entities—Balance Sheet Presentation*, (previously Statement of Financial Accounting Standard (SFAS) No. 117). Under FASB ASC 958-210-45, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

NOLA 180  
D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010 AND 2009

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation (Continued)**

- **Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations.
- **Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that will be met either by actions of the School and/or the passage of time.
- **Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or removed by actions of the School pursuant to those stipulations.

**Contributions and Revenue Recognition**

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

The School reports contributions of cash or other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the statement of activities. Contributions that are restricted by the donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized.

Revenues from federal and state grants are recorded when the school has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by the School, or when otherwise earned under the terms of the grants.

**Contributed Services**

The School receives certain professional services, such as accounting and legal services in its administration of School affairs. Professional fee rates are used in valuing and recording these contributions.

In addition, the School receives a substantial amount of donated services from unpaid volunteers who assist in carrying out the School's mission. No amounts have been reflected in the statements for donated services because they did not meet the criteria for recognition under generally accepted accounting principles.

**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

The land, building and building improvements used to operate the school are owned by the Orleans Parish School Board (OPSB) and, as such, are recorded on the financial statements of the OPSB. The OPSB also provides the School with furniture and equipment that are also recorded on the OPSB's financial statements and not reported by the School. The School only reports its direct purchases of furniture and equipment. The School has adopted the practice of capitalizing all expenditures for depreciable assets where the unit costs exceed \$5,000. Property is recorded at cost or at fair value for donated assets. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives of 3 to 10 years.

**Functional Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in Note 7. Accordingly, certain costs have been allocated among the instructional and supporting services benefited.

**Tax Exempt Status**

The School is a not-for-profit organization exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3) and the Louisiana Revised Statutes; therefore, no provision has been made for federal and state income taxes.

**Statement of Cash Flows**

For purposes of cash flows, the School considers all unrestricted cash and cash in bank to be cash and cash equivalents.

**Subsequent Events**

Subsequent events have been evaluated through March 25, 2011, which is the date the financial statements were available to be issued.

**(2) CONTRIBUTIONS RECEIVABLE**

At June 30, 2010 and 2009, the School has contributions receivable in less than one year of \$0 and \$20,600, respectively.

**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

**(3) EQUIPMENT**

Equipment at June 30, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 7,338	\$ 7,338
Computer and copier equipment	<u>156,948</u>	<u>21,948</u>
Total cost	164,286	29,286
Less: accumulated depreciation	<u>(67,019)</u>	<u>(13,969)</u>
Property and equipment, net	<u>\$ 97,267</u>	<u>\$ 15,317</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was \$53,050 and \$7,929, respectively.

**(4) CAPITAL LEASE**

During the year ended June 30, 2008, the School entered into a capital lease arrangement to purchase copier equipment valued at \$20,919. As of June 30, 2010 and 2009, the remaining book value of the equipment and the capital lease payable were \$1,221 and \$8,430, respectively. The contract requires the School to make 36 monthly payments of \$617 ending in August 2010.

Minimum lease payments relating to the capital lease outstanding are as follows:

Years Ending June 30,

2011	<u>\$ 1,221</u>
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**(5) NOTE PAYABLE**

During the year ended June 30, 2009, the School entered into a loan agreement with the Joe W. and Dorothy Dorsett Brown Foundation in the amount of \$150,000. The loan agreement states that it bears no interest on the unpaid principal until maturity on September 30, 2009. The loan was paid in full during the year ended June 30, 2010.

**(6) TEMPORARILY RESTRICTED NET ASSETS**

For the years ended June 30, 2010 and 2009, \$50,486 and \$265,198 of temporarily restricted net assets are subject to specific use restrictions, respectively.

**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

**(6) TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

Use restrictions for temporarily restricted net assets are as follows:

	<u>2010</u>	<u>2009</u>
Specific instructional activities	\$ 50,487	\$ 164,331
Leadership transition	20,000	-
General instructional activities	-	70,575
Musical instruments	-	30,292
	<u>\$ 70,487</u>	<u>\$ 265,198</u>

**(7) FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses have been reported in the statement of activities by natural classification. The School presents functional classifications of expenses charged to program services. Instructional programs represent management's estimate of expenses that can be directly allocated to supporting class room and teaching activities and programs. Supporting services include those expenses related to the administrative operations, including accounting and administrative functions and those expenses related to student services, including transportation, nutrition and uniforms.

Total expenses for the year ended June 30, 2010 and 2009, respectively, are as follows:

	<u>2010</u>	<u>2009</u>
Program services:		
Instructional services	\$ 2,736,640	\$ 2,507,619
Supporting services:		
Administrative services	1,502,026	1,349,545
Student services	811,119	837,369
Loss from misappropriation	<u>251,814</u>	<u>421,858</u>
Total expenses	<u>\$ 5,301,599</u>	<u>\$ 5,116,391</u>

**(8) CREDIT RISK CONCENTRATION**

The School has cash balances at several financial institutions. Cash accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Effective October 2008, the FDIC's temporary Transaction Guarantee Program provides depositors with unlimited coverage for non-interest bearing transaction accounts at participating FDIC insured institutions. The unlimited coverage is temporary and will remain in effect through December 31, 2012. Therefore, there were no uninsured portions of cash at June 30, 2010 and 2009.

**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

**(9) SCHOOL PROPERTIES**

On June 16, 2008, the School entered into an agreement with the Recovery School District (RSD), which allows the School to use the facilities and its contents located at 3519 Trafalgar Street, or any other locations that may be approved by the School and the RSD. Prior to June 30, 2009, the School operated out of a temporary location provided by the RSD located at 4621 Canal Street under similar terms. The 3519 Trafalgar Street location consisted of temporary modular buildings. A new facility, which is located adjacent to the Trafalgar site, opened for the 2009-2010 School Year. The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations and rules.

Use of the property, including fixtures, furniture and equipment provided by the RSD is not recorded as an in-kind contribution. Current lease terms do not require rental payments from the School to the Recovery School District, but the RSD reserves the right to amend the agreement to charge rent in the future, if so desired.

**(10) LOSS FROM MISAPPROPRIATION**

During the year ended June 30, 2009, the School incurred a loss through misappropriation of cash estimated at \$421,858. During the year ended June 30, 2010, from the period July 1, 2009 through November 30, 2009, additional estimated losses of \$251,814 were discovered. During the year ended June 30, 2010, the School received \$300,000 from an insurance claim filed by the School to recover the losses. This was the maximum amount of coverage under the fidelity bond and is included in other revenues.

**(11) TAX DEFERRED ANNUITY PLAN**

The School has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the School. The School does not make any contributions to the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish.

**(12) RECLASSIFICATIONS**

Certain reclassifications have been made to prior year amounts to conform with current year presentations.

**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Disbursements/ Expenditures
<b><u>U.S. Department of Education</u></b>		
Improving Literacy Through School Libraries	84.364A	\$ 89,228
Pass-through program from:		
Louisiana Department of Education		
Title I Grants to Local Educational Agencies	84.010	459,805 *
Special Education - Grants to States (IDEA Part B)	84.027	161,562
ARRA - Special Education - Grants to States (IDEA Part B)	84.391	101,472 *
Improving Teacher Quality State Grants	84.367A	14,245
ARRA - Title I Grants to Local Educational Agencies	84.389	6,521
Safe and Drug Free Schools and Communities - State Grants Title IV	84.186	1,227
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	50,034 *
Charter Schools	84.282	<u>178,460</u>
Total U.S. Department of Education		<u>1,062,554</u>
Total		<u>\$ 1,062,554</u>

**\* Major Program**

Note: The schedule of expenditures of federal awards is a summary of the activity of NOLA 180 d/b/a Langston Hughes Academy Charter School's federal award programs presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(See Auditors' Report)

# ERICKSEN KRENTEL & LA PORTE L.L.P.

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BENJAMIN J. ERICKSEN - RETIRED  
J.V. LECLERE KRENTEL - RETIRED

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board Members of  
NOLA 180 d/b/a Langston Hughes Academy  
Charter School  
New Orleans, Louisiana

We have audited the financial statements of NOLA 180 d/b/a Langston Hughes Academy Charter School (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2010-1, 2010-2, 2010-3, 2010-4, 2010-5, 2010-6, and 2010-7.



**ERICKSEN KRENTEL & LA PORTE L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

NOLA 180 d/b/a Langston Hughes  
Academy Charter School  
March 25, 2011

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2010-8, 2010-9 and 2010-10.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-10.

We noted certain other matters that we reported to management of NOLA 180 d/b/a Langston Hughes Academy Charter School in a separate letter dated March 25, 2011.

NOLA 180 d/b/a Langston Hughes Academy Charter School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School's responses and, accordingly, we express no opinion on them.

This report is intended for the information of management and the board of directors, the Louisiana Legislative Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

March 25, 2011



Certified Public Accountants

# ERICKSEN KRENTEL & LA PORTE L.L.P.

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board Members of  
NOLA 180 d/b/a Langston Hughes Academy  
Charter School  
New Orleans, Louisiana

### Compliance

We have audited NOLA 180 d/b/a Langston Hughes Academy Charter School's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major programs for the year ended June 30, 2010. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, NOLA 180 d/b/a Langston Hughes Academy Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

NOLA 180 d/b/a Langston Hughes  
Academy Charter School  
March 25, 2011

**Internal Control Over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NOLA 180 d/b/a Langston Hughes Academy Charter School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the board of directors, the Louisiana Legislative Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

March 25, 2011



Certified Public Accountants

**NOLA 180 d/b/a LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of NOLA 180 d/b/a Langston Hughes Academy Charter School.
2. Ten significant deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Seven of those deficiencies were material weaknesses.
3. One instance of noncompliance material to the financial statements of NOLA 180 d/b/a Langston Hughes Academy Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for NOLA 180 d/b/a Langston Hughes Academy Charter School expresses an unqualified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133 reported in this schedule.
7. The programs tested as major programs were the Title I Grants to Local Education Agencies Program (CFDA 84.010), Special Education – Grants to States (IDEA Part B) (ARRA) (CFDA 84.391), and State Fiscal Stabilization Fund – Education State Grants (ARRA) (CFDA 84.394)
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. NOLA 180 d/b/a Langston Hughes Academy Charter School was determined not to be a low risk auditee.
10. A management letter was issued for the year ended June 30, 2010.

**NOLA 180 d/b/a LANGSTON HUGHES ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**Material Weaknesses:**

**2010-1 Improperly Maintaining Important Documentation**

Condition: During audit testing, we noted there were missing bank statements and other important documentation, such as deposit information.

Criteria: The School should maintain important documentation on file.

Effect: These documents have audit and operational significance for the School.

Recommendation: We recommend the School establish a filing system to maintain important documentation such as leases, deposit information, and other documents of importance.

Response: See Management's Corrective Action Plan for their response.

**2010-2 Lack of Supporting Documentation for Expenses**

Condition: During our testing of credit card expenses we noted that \$6,856 of \$13,552 that was tested lacked proper support. Also during our testing of controls, we noted an additional \$836 of expenses that lacked proper support as well.

Criteria: The School should maintain all supporting documentation, such as receipts and invoices.

Effect: The School did not have proper supporting documentation for certain expenses.

Cause: The School's procedures for credit card purchases and the procedures relating to proper filing of supporting documentation were not followed.

Recommendation: We recommend the School require that anyone using a credit card for school purchases turn in all copies of receipts for the purchases. We also recommend that the School ensure that all supporting documentation is obtained before paying invoices and that the documentation is filed properly once the invoice is paid.

Response: See Management's Corrective Action Plan for their responses.

**2010-3 Missing property of the School Containing School Information**

Condition: During the audit, we were informed that a former employee had in her possession a laptop that was property of the School and contained proprietary School information.

**NOLA 180 d/b/a LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Criteria:** To maintain security of School property, terminated employees should be required to return all School property assigned to them for School use.

**Effect:** The School was missing documentation and information that was contained on that computer. Additionally, School personnel did not have use of the computer.

**Cause:** The School did not follow proper procedure when the employee was terminated and did not obtain the laptop prior to the employee's last day.

**Recommendation:** The School should have an "exit checklist" listing all items, such as all keys, School owned laptops, School owned cell phones, School credit cards, and any School files that the employee should return before exiting.

**Response:** See Management's Corrective Action Plan for their response.

**2010-4 Employee Overpaid During the Fiscal Year**

**Condition:** During our payroll testing, we noted that one employee was overpaid by \$3,333 in fiscal year 2010 and it was not corrected until fiscal year 2011.

**Criteria:** To ensure employees are paid the correct amount, no employee should have a different pay schedule than the rest of the staff.

**Effect:** By changing the employee's pay schedule, the employee was given an additional payment in one month causing her to get paid more than her annual contract total.

**Cause:** The employee was being paid at the beginning of each month for her entire monthly salary instead of being paid bi-monthly like the rest of the staff. There was an additional payment made in one month causing this over payment.

**Recommendation:** We recommend that all staff be paid bi-monthly per the payroll schedule and no employees should have a different schedule.

**Response:** See Management's Corrective Action Plan for their response.

**2010-5 Internal Control over Financial Reporting/Misappropriation**

**Condition:** The School's procedures relating to the control of expenditures were not followed resulting in a loss from misappropriation of funds.

**Criteria:** The School's procedures relating to ensuring the validity of cash withdrawals from its demand deposit accounts should include a review of the unopened bank statements and cancelled checks by the School.

**Effect:** A loss on misappropriation of cash totaling \$251,814 was incurred by the School during the year ended June 30, 2010.

**NOLA 180 d/b/a LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Cause:** The School's procedures relating to the independent review of the bank statements were not performed.

**Recommendation:** The procedure for reviewing bank statements should be performed timely, as designed. Additionally, the person performing the procedure should provide written evidence to support that the review has been performed.

**Response:** See Management's Corrective Action plan for their response.

**2010-6 Receivables Monitoring**

**Condition:** During our testing of receivables, we noted that \$32,041 of outstanding receivables had not been received seven months after the year end date.

**Criteria:** The School should review receivables on a regular basis to prevent amounts from becoming old and uncollectible.

**Effect:** The School did not receive \$32,041 of funds they had earned.

**Cause:** The School did not receive the proper funds due to their lack of monitoring of reporting requirements. Incomplete reporting documentation was submitted and not corrected in a timely manner. As a result, the contract period for collections of funds expired.

**Recommendation:** We recommend the School have a procedure in place to monitor report submissions and outstanding receivables to ensure the School is obtaining all possible funds.

**Response:** See Management's Corrective Action Plan for their response.

**2010-7 Board Financial Reports**

**Condition:** As a result of turnover in key accounting personnel, financial data was not timely prepared and presented to the Board for their review and analysis, which led to decisions often being made based on incomplete data.

**Criteria:** The Board of Directors of any organization greatly influences the internal control structure of the organization, the strategic decision making process, and the operational vision of the organization. Reliance on accurate and timely financial data is important to accomplish these objectives

**Effect:** Due to changes in the governing board and accounting personnel, much needed oversight and direction in the financial review process was lacking and the board was never able to review timely and accurate financial reports.

**NOLA 180 d/b/a LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Cause:** The turnover amongst board members and accounting personnel created inconsistencies in the governing process over the preparation of financial statements and reports.

**Recommendation:** The Board of Directors should continue to oversee and provide governance over internal control and the financial reporting processes of the School. Further, the financial reporting calendar should be reviewed with all accounting personnel and enforced to ensure the timely delivery of accurately prepared financial statements so that proper decisions can be made regarding the financial operations of the School.

**Response:** See Management's Corrective Action Plan for their response.

**Significant Deficiencies:**

**2010-8 Improper Coding of Expenses**

**Condition:** During our testing of expenses, we noted many expenses were coded to the miscellaneous expense account as opposed to a more accurate expense coding.

**Criteria:** Accounting personnel should code expenses to the proper expense accounts to allow for meaningful account analysis and understanding.

**Effect:** The School was not able to properly compare items on the budget to actual expense reports and was unable to review other accurately prepared financial reports.

**Cause:** The accounting personnel did not understand the importance of properly coding the expenses to enable management to review accurate financial reports.

**Recommendation:** We recommend the School's Board review items that are recorded in the miscellaneous expense accounts to determine if those expenses should be recorded elsewhere.

**Response:** See Management's Corrective Action Plan for their response.

**2010-9 Improve Documentation for Meetings of the Board of Directors**

**Condition:** During our audit, we noted several months did not have documented minutes from the Board meetings.

**Criteria:** The Board should designate an individual to record the minutes for each meeting and maintain copies of the minutes in a secure location.

**Effect:** There was no documentation of the actions taken at meetings held by the Board of Directors for six months during the year.



**NOLA 180 d/b/a LANGSTON HUGHES ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010**

**Cause:** The Board did not have an individual designated to record the minutes and ensure the minutes were kept as documentation of the Board's actions.

**Recommendation:** We recommend that the Board assign an individual the responsibility of recording the minutes at each meeting, subsequently typing them and placing them in a minute book to serve as documentation of the School's governance throughout the year. All minutes should be kept in a safe, fireproof place since they are an important part of the School's records, and should be retained permanently.

**Response:** See Management's Corrective Action Plan for their response.

**2010-10 Failure to Timely File Audited Financial Statements**

**Condition** – Management failed to submit its annual report to the Louisiana Legislative Auditor's office within the six month of the close of its fiscal year.

**Criteria** – Louisiana Revised Statute 24:513 requires entities receiving governmental funds in Louisiana to submit an annual report to the Louisiana Legislative Auditor's office within six months of the close of the School's fiscal year.

**Effect** – The School failed to comply with the timely filing requirements of Louisiana Revised Statute 24:513.

**Cause** – Management did not provide its independent auditors with the requested financial information in a timely manner. There was significant turnover in personnel which caused a delay in preparing many schedules needed for the audit.

**Recommendation** – We recommend that management ensure that all financial reports are filed timely by monitoring interim financial statement preparation and requiring that financial statements be prepared within 15 days of each month end.

**Response** – See Management's Corrective Action Plan for their response.

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM  
AUDIT**

NONE

**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE  
FINANCIAL STATEMENTS**

**2009-1 Internal Control over Financial Reporting/Misappropriation**

The School's procedures relating to the control of expenditures were not followed resulting in a loss from misappropriation of funds.

This item was repeated in the 2010 Schedule of Findings and Questioned Costs as item 2010-5.

**2009-2 Internal Control over Financial Reporting**

As part of the audit process, the auditors had assisted management in the drafting of financial statements and related notes. During the course of the audit procedures the auditors proposed adjusting entries to the general ledger accounts.

This item was resolved.

**2009-3 Segregation of Duties**

During the course of the engagement, it was noted that there was a lack of segregation of duties regarding certain financial processes.

This item was resolved.

**2009-4 Internal Control over Payroll Disbursements**

During the course of the engagement, it was noted that the School made payments to employees without properly withholding social security taxes from income.

This item was resolved.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL  
AWARDS**

**TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES – 84.027**

**CHARTER SCHOOL PROGRAMS – 84.282**

See 2009-1, 2009-2, and 2009-3 above.

**2009-5 Project Completion Reports**

The School does not have procedures and controls in place to ensure employees are properly following grant guidelines.

This item was resolved.



LANGSTON HUGHES ACADEMY CHARTER SCHOOL

## CORRECTIVE ACTION PLAN

March 25, 2011

Louisiana Legislative Auditor

NOLA 180 d/b/a Langston Hughes Academy respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent public accounting firm:

Ericksen, Krentel & LaPorte, L.L.P.  
4227 Canal Street  
New Orleans, Louisiana 70119  
Contact: Ronald H. Dawson, Jr.

Audit Period: 07/01/09 to 06/30/10

The findings from the March 25, 2011 schedule of findings and questioned costs and management letter are discussed below. The findings are numbered consistently with the number assigned in the schedule of findings and questioned costs and management letter.

### 2010-1 Improperly Maintaining Important Documentation

Recommendation: The School should establish a filing system to maintain important documentation such as leases, deposit information, and other documents of importance.

Response: The School has hired a management company that will now maintain proper documentation for the items listed above.

### 2010-2 Lack of Supporting Documentation for Expenses

Recommendation: The School should require that anyone using a credit card to make school purchases should turn in all copies of receipts for the purchases. We also recommend that the school ensure that all supporting documentation is obtained before paying invoices and filed properly once the invoice is paid.

Response: The School has discontinued the use of School credit cards. The School has also hired a management company to handle all the payment of invoices and the filing of the supporting documentation for the invoices.



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**LANGSTON HUGHES ACADEMY CHARTER SCHOOL**

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**2010-3 Missing property of the School Containing School Information**

**Recommendation:** The School should have an "exit checklist" listing all items, such as all keys, School owned laptops, School owned cell phones, School credit cards, and any School files that the employee should return before exiting.

**Response:** After numerous attempts to contact the former employee to get the laptop back, the School has sent a certified letter to the employee. The School has also developed an "exit checklist" that must be filled out for all employees that are terminated.

**2010-4 Employee Overpaid During the Fiscal Year**

**Recommendation:** All staff should be paid bi-monthly per the payroll schedule and no employees should have a different pay schedule.

**Response:** The School does not allow employees to choose when they get paid. Each employee is paid on the bi-monthly schedule. We have reviewed this policy with our payroll personnel.

**2010-5 Internal Control over Financial Reporting/Misappropriation**

**Recommendation:** The procedure for reviewing bank statements should be performed timely, as designed. Additionally, the person performing the procedure should provide written evidence to support the review has been performed.

**Response:** The School has adopted the policies of the management company which include all policies for internal controls over financial reporting, including reviewing unopened bank statements and bank reconciliations.

**2010-6 Receivables Monitoring**

**Recommendation:** The School should have a procedure in place to monitor outstanding receivables to ensure the School is obtaining all possible funds.

**Response:** The School has hired a management company to perform all accounting activities and the management company is monitoring all receivables to ensure they are collectible.

**2010-7 Board Financial Reports**

**Recommendation:** The Board of Directors should continue to oversee and provide governance over internal control and the financial reporting processes of the School. Further the financial reporting calendar should be reviewed with all accounting personnel and enforced to ensure the timely delivery of accurately



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**LANGSTON HUGHES ACADEMY CHARTER SCHOOL**

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prepared financial statements so that proper decisions can be made regarding financial operations of the School.

Response: In order to strengthen our financial controls and to ensure timely and accurate delivery of financial reports, we have engaged FirstLine Schools to provide all of our administrative functions, including financial statement preparation.

#### **2010-8 Improper Coding of Expenses**

Recommendation: The School's Board should review the items that are recorded in the miscellaneous expense accounts to determine if those expenses should be recorded elsewhere.

Response: We will review coding instructions and our chart of accounts with all accounting personnel and our Management Company will monitor all coding processes.

#### **2010-9 Improve Documentation for Meetings of the Board of Directors**

Recommendation: The Board should assign an individual the responsibility of recording the minutes at each meeting, subsequently typing them and placing them in a minute book to serve as documentation of the School's governance throughout the year. All minutes should be kept in a safe, fireproof place since they are an important part of the School's records, which should be retained permanently.

Response: The Board has assigned an individual to record the minutes and ensure the minutes are placed into a book to keep as documentation for the School's governance.

#### **2010-10 Failure to Timely File Audited Financial Statements**

Recommendation: Management should ensure that all financial reports are filed timely.

Response: We are aware of the time requirements to file audited financial statements and have taken the necessary actions to ensure the audited financial statements will be filed timely next year.

#### **2010-11 Use a Separate Payroll Bank Account**

Recommendation: The School should establish an imprest "zero balance" payroll cash account.

Response: The School has setup an imprest "zero balance" payroll cash account.



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**LANGSTON HUGHES ACADEMY CHARTER SCHOOL**

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If there are any questions regarding this plan, please contact Paul Pechon (504)831-4949.

Sincerely,

A stylized handwritten signature in black ink, appearing to be "P. Pechon", written over a horizontal line.

Signature

The word "TREASURER" written in a stylized, handwritten font in black ink, positioned above a horizontal line.

Title

# ERICKSEN KRENTEL & LA PORTE L.L.P.

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
NOLA 180 d/b/a Langston Hughes Academy  
Charter School  
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by NOLA 180 d/b/a Langston Hughes Academy Charter School and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of NOLA 180 d/b/a Langston Hughes Academy Charter School and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. Management of NOLA 180 d/b/a Langston Hughes Academy Charter School is responsible for the performance and statistical data. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

### General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
  - a. Total General Fund Instructional Expenditures,
  - b. Total General Fund Equipment Expenditures,
  - c. Total Local Taxation Revenue,
  - d. Total Local Earnings on Investment in Real Property,
  - e. Total State Revenue in Lieu of Taxes,
  - f. Nonpublic Textbook Revenue,
  - g. Nonpublic Transportation Revenue.

Findings: No exceptions noted.

**ERICKSEN KRENTEL & LA PORTE L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

Board of Directors

NOLA 180 d/b/a Langston Hughes Academy Charter School

March 25, 2011

**Educational Levels of Public School Staff (Schedule 2)**

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to the school board supporting payroll records as of October 1, 2009.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2009 and as reported on the schedule. We traced 25 employees of the population to the individual's personnel files and determined if the individual's education level was properly classified on the schedule.

**Findings:** We noted no evidence on file to support the experience level classification for 19 of the 25 employees.

**Number and Type of Public Schools (Schedule 3)**

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Education Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

**Findings:** No exceptions noted.

**Experience of Public Principals and Full-time Classroom Teachers (Schedule 4)**

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2009 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

**Findings:** Out of the 25 employees we selected for testing, we were unable to ascertain that any of their experience was properly classified on the schedule.



**ERICKSEN KRENTEL & LAPORTE L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Board of Directors  
NOLA 180 d/b/a Langston Hughes Academy Charter School  
March 25, 2011

Public Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and the full-time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Findings: No exceptions noted.

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We traced a random sample of 10 classes to the October 1, 2009 roll books for those classes and determined that the class was properly classified on the schedule.

Findings: No exceptions noted.

Louisiana Educational Assessment Program (LEAP) for the 21<sup>st</sup> Century (Schedule 7)

10. We obtained test scores as provided by the testing authority and agreed scores as reported by the testing authority to scores reported in the schedule by the School.

Findings: No exceptions noted.

The iLEAP Test (Schedule 9)

11. We obtained test scores as provided by the testing authority and agreed scores as reported by the testing authority to scores reported in the schedule by the School.

Findings: No exceptions noted.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**ERICKSEN KRENTEL & LA PORTE L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

Board of Directors

NOLA 180 d/b/a Langston Hughes Academy Charter School

March 25, 2011

This report is intended solely for the information and use of management of NOLA 180 d/b/a Langston Hughes Academy Charter School, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

March 25, 2011

A stylized, handwritten signature in black ink, likely belonging to a representative of Ericksen Krentel & La Porte. The signature is fluid and cursive, with the firm's name clearly legible.

Certified Public Accountants

NOLA 180  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND**  
**CERTAIN LOCAL REVENUE SOURCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**General Fund Instructional and Equipment Expenditures:**

## General Fund Instructional Expenditures:

## Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 1,326,649
Other Instructional Staff Activities	3,738
Employee Benefits	250,164
Purchased Professional and Technical Services	30,942
Instructional Materials and Supplies	43,767
Instructional Equipment	<u>14,792</u>

Total Teacher and Student Interaction Activities \$ 1,670,052

Other Instructional Activities 53,548

Pupil Support Activities 104,464

Less: Equipment for Pupil Support Activities -

Net Pupil Support Activities 104,464

Instructional Staff Services 88,714

Less: Equipment for Instructional Staff Services -

Net Instructional Staff Services 88,714

School Administration 511,345

Less: Equipment for School Administration (2,237)

Net School Administration 509,108

Total General Fund Instructional Expenditures \$ 2,425,886

Total General Fund Equipment Expenditures \$ 17,029

**Certain Local Revenue Sources:**

## Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-
Sales and Use Taxes	<u>-</u>

Total Local Taxation Revenue \$ -

## Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	-
Earnings from Other Real Property	<u>-</u>

Total Local Earnings on Investment in Real Property \$ -

## State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	<u>-</u>

Total State Revenue in Lieu of Taxes \$ -

Nonpublic Textbook Revenue \$ -

Nonpublic Transportation Revenue \$ -

NOLA 180  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF EDUCATION LEVELS OF PUBLIC SCHOOL STAFF**  
AS OF OCTOBER 1, 2009

CATEGORY:	Full Time Classroom Teachers				Principals and Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	-	-	-	0%	-	-	-	-
Bachelor's Degree	16	94%	18	95%	-	-	1	25%
Master's Degree	-	0%	1	5%	-	-	3	75%
Master's Degree + 30	1	6%	-	0%	-	-	-	-
Specialist in Education	-	-	-	-	-	-	-	-
PhD or EdD	-	-	-	-	-	-	-	-
Total	<u>17</u>	100%	<u>19</u>	100%	<u>-</u>	0%	<u>4</u>	100%

**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF NUMBER AND TYPE OF PUBLIC SCHOOLS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>TYPE:</u>	<u>NUMBER</u>
Elementary	1
Middle / Jr. High	-
Secondary	-
Combination	-
Total	<u>1</u>

Note: Schools opened or closed during the year are included in this schedule.

**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF EXPERIENCE OF PUBLIC PRINCIPALS, ASSISTANT PRINCIPALS**  
**AND FULL TIME CLASSROOM TEACHERS**  
**AS OF OCTOBER 1, 2009**

	<u>0-1 Years</u>	<u>2-3 Years</u>	<u>4-10 Years</u>	<u>11-14 Years</u>	<u>15-19 Years</u>	<u>20-24 Years</u>	<u>25+ Years</u>	<u>Total</u>
Assistant Principals	-	1	1	-	-	-	-	2
Principals	-	2	-	-	-	-	-	2
Classroom Teachers	<u>16</u>	<u>13</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36</u>
Total	<u>16</u>	<u>16</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>

**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF PUBLIC SCHOOL STAFF DATA**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees and Flagged Salary Reductions
Average classroom teachers salary including extra compensation	\$ 45,939	\$ 45,939
Average classroom teachers salary excluding extra compensation	\$ 45,789	\$ 45,789
Number of teacher full-time equivalents (FTE's) used in computation of average	37	37

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**CLASS SIZE CHARACTERISTICS**  
**AS OF OCTOBER 1, 2009**

	CLASS SIZE RANGE							
	1-20		21-26		27-33		34+	
<b>SCHOOL TYPE:</b>	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	60%	90	40%	59	-	-	-	-
Elementary/Activity Classes	56%	5	44%	4	-	-	-	-
Middle / Jr. High	-	-	-	-	-	-	-	-
Middle / Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.



NOLA 180  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**LOUISIANA EDUCATIONAL PROGRAM FOR THE 21ST CENTURY**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**School Achievement Level Results**

	ENGLISH LANGUAGE ARTS				MATHEMATICS			
	2010		2009		2010		2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Students</b>								
<b>Grade 4</b>								
Advanced	-	0%	-	0%	-	0%	-	0%
Mastery/Proficient	3	5%	8	10%	3	5%	2	2%
Basic	20	31%	32	38%	22	33%	37	44%
Approaching Basic	22	34%	29	35%	20	30%	31	37%
Unsatisfactory	20	31%	15	18%	21	32%	14	17%
<b>Total</b>	<b>65</b>	<b>100%</b>	<b>84</b>	<b>100%</b>	<b>66</b>	<b>100%</b>	<b>84</b>	<b>100%</b>

**School Achievement Level Results**

	SCIENCE				SOCIAL STUDIES			
	2010		2009		2010		2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Students</b>								
<b>Grade 4</b>								
Advanced	-	0%	-	0%	0	0%	-	0%
Mastery/Proficient	1	2%	2	2%	2	3%	1	1%
Basic	25	38%	28	33%	35	53%	30	36%
Approaching Basic	25	38%	26	31%	15	23%	29	35%
Unsatisfactory	15	23%	28	33%	14	21%	24	29%
<b>Total</b>	<b>66</b>	<b>100%</b>	<b>84</b>	<b>100%</b>	<b>66</b>	<b>100%</b>	<b>84</b>	<b>100%</b>

NOLA 180  
D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL  
IOWA AND ILEAP TESTS  
FOR THE YEAR ENDED JUNE 30, 2010

<u>School Achievement Level Results</u>	<u>ENGLISH LANGUAGE ARTS</u>		<u>MATHEMATICS</u>	
	<u>2010</u>		<u>2010</u>	
<u>Students</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<b>Grade 3</b>				
Advanced	-	0%	1	2%
Mastery/Proficient	6	10%	1	2%
Basic	27	44%	29	47%
Approaching Basic	19	31%	20	32%
Unsatisfactory	10	16%	11	18%
<b>Total</b>	<b>62</b>	<b>100%</b>	<b>62</b>	<b>100%</b>

<u>School Achievement Level Results</u>	<u>SCIENCE</u>		<u>SOCIAL STUDIES</u>	
	<u>2010</u>		<u>2010</u>	
<u>Students</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<b>Grade 3</b>				
Advanced	1	2%	1	2%
Mastery/Proficient	8	13%	3	5%
Basic	31	50%	38	61%
Approaching Basic	17	27%	15	24%
Unsatisfactory	5	8%	5	8%
<b>Total</b>	<b>62</b>	<b>100%</b>	<b>62</b>	<b>100%</b>

<u>School Achievement Level Results</u>	<u>ENGLISH LANGUAGE ARTS</u>		<u>MATHEMATICS</u>	
	<u>2010</u>		<u>2010</u>	
<u>Students</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<b>Grade 5</b>				
Advanced	-	0%	-	0%
Mastery/Proficient	1	2%	2	4%
Basic	24	47%	25	48%
Approaching Basic	17	33%	11	21%
Unsatisfactory	9	18%	14	27%
<b>Total</b>	<b>51</b>	<b>100%</b>	<b>52</b>	<b>100%</b>

<u>School Achievement Level Results</u>	<u>SCIENCE</u>		<u>SOCIAL STUDIES</u>	
	<u>2010</u>		<u>2010</u>	
<u>Students</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<b>Grade 5</b>				
Advanced	-	0%	-	0%
Mastery/Proficient	1	2%	3	6%
Basic	9	17%	22	42%
Approaching Basic	33	63%	17	33%
Unsatisfactory	9	17%	10	19%
<b>Total</b>	<b>52</b>	<b>100%</b>	<b>52</b>	<b>100%</b>

**NOLA 180**  
**D/B/A LANGSTON HUGHES ACADEMY CHARTER SCHOOL**  
**IOWA AND iLEAP TESTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

School Achievement Level ResultsENGLISH LANGUAGE ARTSMATHEMATICS

	<u>2010</u>		<u>2010</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>Students</u>				
<b>Grade 6</b>				
Advanced	-	0%	-	0%
Mastery/Proficient	3	6%	2	4%
Basic	28	60%	32	67%
Approaching Basic	14	30%	8	17%
Unsatisfactory	2	4%	6	13%
Total	47	100%	48	100%

School Achievement Level ResultsSCIENCESOCIAL STUDIES

	<u>2010</u>		<u>2010</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>Students</u>				
<b>Grade 6</b>				
Advanced	-	0%	1	2%
Mastery/Proficient	2	4%	11	23%
Basic	20	42%	28	58%
Approaching Basic	21	44%	5	10%
Unsatisfactory	5	10%	3	6%
Total	48	100%	48	100%

School Achievement Level ResultsENGLISH LANGUAGE ARTSMATHEMATICS

	<u>2010</u>		<u>2010</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>Students</u>				
<b>Grade 7</b>				
Advanced	-	0%	-	0%
Mastery/Proficient	4	7%	5	8%
Basic	36	59%	30	50%
Approaching Basic	19	31%	13	22%
Unsatisfactory	2	3%	12	20%
Total	61	100%	60	100%

School Achievement Level ResultsSCIENCESOCIAL STUDIES

	<u>2010</u>		<u>2010</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>Students</u>				
<b>Grade 7</b>				
Advanced	-	0%	4	7%
Mastery/Proficient	5	8%	19	31%
Basic	29	48%	31	51%
Approaching Basic	25	41%	5	8%
Unsatisfactory	2	3%	2	3%
Total	61	100%	61	100%

# ERICKSEN KRENTEL & LA PORTEL L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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†LIMITED LIABILITY COMPANY  
BENJAMIN J. ERICKSEN - RETIRED  
J.V. LECLERE KRENTEL - RETIRED

## MANAGEMENT LETTER

March 25, 2011

To Board of Directors of  
NOLA 180 d/b/a Langston Hughes  
Academy Charter School  
New Orleans, Louisiana

In planning and performing our audit of the financial statements of NOLA 180 d/b/a Langston Hughes Academy Charter School (the School), for the year ended June 30, 2010, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of one matter that is an opportunity for strengthening internal controls and operating efficiencies. This letter summarizes our comment regarding this matter. This letter does not affect our report dated March 25, 2011, on the financial statements of the School.

The following items were noted:

### 2010-11 Use a Separate Payroll Bank Account

At present, the School does not use a separate bank account for payroll. Instead, the employee payroll is disbursed from the operating account. We recommend that the School establish an imprest "zero balance" payroll cash account, whereby the account is kept at a zero balance and transfers are made from the operating account as needed to cover the amount of the payroll and payroll taxes. Having an imprest payroll account would limit access to the main operating account for both the payroll service center and employees.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Certified Public Accountants



**CORRECTIVE ACTION PLAN FOR  
AGREED UPON PROCEDURES**

March 25, 2011

Louisiana Legislative Auditor

NOLA 180 d/b/a Langston Hughes Academy respectfully submits the following corrective action plan for the year ended June 30, 2010 for the agreed upon procedures performed.

Name and address of independent public accounting firm:

Ericksen, Krentel & LaPorte, L.L.P.  
4227 Canal Street  
New Orleans, Louisiana 70119  
Contact: Ronald H. Dawson, Jr.

Audit Period: 07/01/09 to 06/30/10

The findings from the March 25, 2011 agreed upon procedures report are discussed below.

**Educational Levels of Public School Staff (Schedule 2)**

**Finding:** There was no evidence on file to support the experience level classification for 19 of the 25 employees.

**Response:** The School has hired a management company to update personnel files and ensure all necessary information is included in each employee's personnel file.

**Experience of Public Principals and Full-Time Classroom Teachers (Schedule 4)**

**Finding:** Out of the 25 employees selected for testing, the auditors were unable to ascertain that any of the employees' experience was properly classified on the schedule.

**Response:** The School has hired a management company to update personnel files and ensure all necessary information is included in each employee's personnel file.



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**LANGSTON HUGHES ACADEMY CHARTER SCHOOL**

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If there are any questions regarding this plan, please contact Paul Pechon (504)831-4949.

Sincerely,

A handwritten signature in dark ink, appearing to be "P. Pechon", written over a horizontal line.

Signature

The word "TREASURER" written in a stylized, handwritten font, positioned above a horizontal line.

Title